

Message Text

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SUBJ: PRIVATE CONTRIBUTIONS TO OVERSEAS SCHOOLS

REF: KUALA LUMPUR 2543

1. SUMMARY: JOINT EMBASSY SCHOOL (JES) JAKARTA SUCCESSFULLY FINANCES CONSTRUCTION CURRENTLY ENTIRELY THROUGH CAPITAL LEVY CERTIFICATE (CLC) SYSTEM. CURRENT CLC COSTS \$3,000 AND DEPRECIATES \$125 PER YEAR, AND GIVES RIGHT TO HAVE SEAT IN SCHOOL. JES ORIGINALLY TRIED TO FINANCE CONSTRUCTION THROUGH COMBINATION LARGE USG CONSTRUCTION GRANTS AND DONATIONS FROM PRIVATE COMPANIES BUT COULD NOT RAISE SUFFICIENT FUNDS SO SWITCHED TO CLC SYSTEM. AROUND \$3 MILLION DOLLARS CONSTRUCTION OVER LAST FEW YEARS COMPLETED MAINLY THROUGH CLC INCOME. JES HAS AROUND 1400 STUDENTS OF WHOM SLIGHTLY OVER HALF ARE AMERICAN. ABOUT 200 OF AMERICANS ARE USG DEPENDENTS. IT IS NOT NECESSARY FOR USG EMPLOYEES TO BUY CLCS SINCE USG EQUITY IN JES FROM CONSTRUCTION GRANTS HAS BEEN CONVERTED INTO 302 CLCS HELD BY EMBASSY. END SUMMARY.

2. JES CURRENTLY AND FOR LAST SEVERAL YEARS HAS FINANCED SCHOOL CONSTRUCTION AMOUNTING TO AROUND US\$3 MILLION ENTIRELY OUT OF MONEY REALIZED SALE OF CLCS.

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EACH FIRM, INDIVIDUAL PERSON, EMBASSY OR OTHER ORGANI-

ZATION WISHING TO ENTER A CHILD IN THE JES MUST PURCHASE A CLC (CURRENTLY THE SERIES D CERTIFICATE, VALID FOR 24 YEARS) AT A COST OF \$3,000 (IN ADDITION TO TUITION OF COURSE). CLC DEPRECIATES \$125 IMMEDIATELY ON PURCHASE AND \$125 EACH YEAR THEREAFTER ON THE ANNIVERSARY DATE OF ITS PURCHASE. A CLC MAY BE REDEEMED AT THE DEPRECIATED VALUE WHEN THE OWNER NO LONGER WISHES TO USE IT FOR A PLACE IN THE SCHOOL. HOWEVER JES REDEEMS IT ONLY AFTER SALE OF A NEW CLC TO SOMEONE ELSE AT THE FULL PRICE.

3. CLC SYSTEM DECIDED ON IN EARLY DAYS OF JES IN 1969 WHEN ATTEMPT TO RAISE SUFFICIENT MONEY BY DONATIONS FROM PRIVATE FIRMS, ESPECIALLY OIL COMPANIES, DID NOT PRODUCE ENOUGH MONEY FOR BUILDING NEEDS. (EFFORTS TO OBTAIN DONATIONS FROM OTHER DIPLOMATIC MISSIONS WERE IN VAIN.) 6 AMERICAN FIRMS (MAINLY OIL COMPANIES) CONTRIBUTED TOTAL OF \$240,000 AND A NUMBER OF OTHERS CONTRIBUTED SMALL AMOUNTS TOTALING AROUND \$5,000. THE FIRST CLCS WERE PRICED AT \$1,500 EACH. US COMPANIES WHICH HAD MADE LARGE DONATIONS WERE GIVEN THE CHOICE ON A ONETIME BASIS OF RECEIVING A NUMBER OF 5"U" CERTIFICATES OR "A" CERTIFICATES, EACH VALUED AT \$1,500, IN AN AMOUNT EQUIVALENT TO THEIR DONATIONS. THE "U" CERTIFICATES ARE VALID INDEFINITELY AND THE "A" CERTIFICATES FOR 25 YEARS FROM THE DATE OF PURCHASE. JES THEN HAD AROUND 400 STUDENTS AND NOW OVER 1,400 STUDENTS OF WHICH SOMEWHAT OVER HALF ARE AMERICAN (THE OTHERS ARE FROM 44 NATIONALITIES). OF AMERICAN STUDENTS ABOUT 200 ARE USG DEPENDENTS.

4. THE JES ALSO BENEFITED CONSIDERABLY FROM USG CONSTRUCTION GRANTS IN 1969/1972 TO THE AMOUNT OF

\$507,000. BECAUSE OF THESE SUBSTANTIAL GRANTS USG DEPENDENTS HAVE HITHERTO NOT BEEN REQUIRED TO HOLD CLCS AND THE EMBASSY HAD BEEN ASSURED AN INDEFINITE NUMBER OF PLACES FOR THEM INDEFINITELY. THIS OPEN-ENDED COMMITMENT CAUSED SOME PROBLEMS WITH THE BUSINESS COMMUNITY AND THE MATTER HAS BEEN RECENTLY UNCLASSIFIED

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RESOLVED BY ISSUING THE US EMBASSY 302 CLCS FOR A TOTAL AMOUNT CORRESPONDING TO THE USG CONSTRUCTION GRANTS, AND IN TYPES CORRESPONDING TO THOSE WHICH WERE BEING SOLD AT THE TIME THE SEVERAL CONSTRUCTION GRANTS WERE MADE. (SOME OF THESE WERE U CERTIFICATES. THIS MARKED THE ONLY TIME OTHER THAN THAT REFERRED TO IN PARA. 3 ABOVE WHEN U CERTIFICATES HAVE BEEN ISSUED.)

5. OWING TO INCREASING CONSTRUCTION COSTS AND A LARGE EXPANSION PROGRAM, IT WAS FOUND NECESSARY TO RAISE THE PRICE OF CLCS OVER THE YEARS FROM THE ORIGINAL PRICE OF \$1,500 FOR THE SERIES A TO THE CURRENT \$3,000 FOR SERIES D. IN BETWEEN STEPS WERE \$2,200 FOR SERIES B AND \$2,500 FOR SERIES C. THERE ARE CURRENTLY 1,755 CERTIFICATES OF THE VARIOUS SERIES IN THE HANDS OF ORGANIZATIONS AND PERSONS USING THE SCHOOL. OVER 300 OF THESE ARE NOT BEING USED. MOST OF THESE 300 BEING HELD SO THAT THEIR HOLDERS CAN BE ASSURED OF PLACES IN THE SCHOOL SHOULD THEY NEED THEM. THIS THEORETICALLY COULD PRESENT A PROBLEM FOR THE JES SINCE THERE ARE MORE CLCS OUT THAN THERE ARE PLACES IN THE SCHOOL.

6. THE CLC SYSTEM HAS WORKED EXTREMELY WELL FOR THE JES. ITS FINANCES ARE IN GOOD ORDER AND THE SCHOOL IS FLOURISHING. IT IS EXPECTED THAT IN A FEW YEARS, IT SHOULD BE POSSIBLE TO GREATLY REDUCE THE COST OF CLCS AND PERHAPS EVENTUALLY ABOLISH THEM ALTOGETHER. THIS IS ASSUMING OF COURSE THAT THE NUMBER OF STUDENTS ENROLLED IN THE JES CONTINUES TO REMAIN AT LEAST AT THE CURRENT LEVEL.

7. IN THE FIRST YEARS OF THE CLC SYSTEM SOME HARDSHIP WAS CAUSED FINANCIALLY WEAKER PARENTS AND ORGANIZATIONS. THIS WAS LARGELY ALLEVIATED BY A BUDGET SYSTEM WHICH LAST SCHOOL YEAR DISBURSED AROUND \$11,000 OUT OF SCHOOL FUNDS FROM ITS OPERATING BUDGET (THE OPERATING BUDGET IS FINANCED MAINLY BY TUITION PAYMENTS). IT IS EXPECTED THAT THIS WILL BE LARGELY PHASED OUT IN COMING YEARS.

8. IF FURTHER DETAILS DESIRED PLEASE LET US KNOW.
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